



St Lawrence House  
Station Approach  
Horley  
Surrey  
RH6 9HJ

James Turnley  
RIIO Teams  
Ofgem  
9 Millbank  
London  
SW1P 3GE

By email to: [mpr@ofgem.gov.uk](mailto:mpr@ofgem.gov.uk)

21 April 2017

Dear James,

### **Consultation on Mid-Period Review Parallel Work**

Thank you for the opportunity to respond to your consultation in relation to the above<sup>1</sup>. We have structured our response around each of the specific questions asked, in order to facilitate ease of comparison with other respondents. As a Gas Distribution Network we have limited our responses to those questions to which we consider it is appropriate for us to respond, however we have also offered more general observations in some instances.

### **SGN Response:**

#### **Background and Scope**

##### **Do you agree with the scope of the MPR parallel work?**

Yes, we agree. The price control arrangements were created early into the contracting period in order to create a stability within business planning activities and therefore a level of investor confidence, however we recognize the consequent difficulties in forecasting for an eight year price control period (1.3, p6).

##### **Output Accountability - When should we consider an output delivered?**

**Do you think we are right to focus on the output purpose where there is ambiguity to decide when an output is delivered? If not, please explain why and provide evidence.**

We agree with the approach as described (2.6, p9) and support the focus upon “value to customers” and “economic and efficient” delivery.

As a principle we consider that ambiguity, and any consequent subjectivity, should be minimized wherever possible. To this end, we would welcome a transparent and consultative process being

---

<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2017/02/mpr\\_parallel\\_work\\_consultation.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/02/mpr_parallel_work_consultation.pdf)

applied to any potentially subjective assessments in relation to the delivery of outputs which could be considered ambiguous.

**What do you think about our alternative options including focusing on the detailed output specification or output declassification? Will they achieve our purpose? Can you think of any other alternatives?**

We agree that focusing on the detailed output specifications may limit organisations in the consideration of potential alternatives (2.7, bullet 1, p10). It is important that companies are able to consider different options and, should a delivery mechanism be identified which is preferable in terms of value to the customer and economic and efficient application, have the freedom to pursue it.

We agree that declassification is unnecessary (2.7, bullet 2, p10) and consider that the focus and accountability of organisations in relation to their outputs should be retained.

#### **Output Accountability – National Grid Gas Transmission’s Compressors Output**

**Do you agree with our proposed approach to hold NGGT to account if it complies with the IED requirements? If not, please explain why and provide evidence.**

As a Gas Distribution Network we would not wish to comment upon Transmission-related matters, however we would observe that the proposed approach to focus upon the output purpose – compliance with the IED - rather than the specific method of delivery, appears prudent.

#### **Output Accountability – SP Transmission’s Voltage Control**

**Do you agree with our approach to consider the output delivered if SPT manages voltage across its network efficiently? If not, please explain why and provide evidence.**

As a Gas Distribution Network we would not wish to comment upon electricity generation-related matters, however we would again observe that the proposed approach to focus upon the output purpose – voltage control - rather than the change in particular circumstances, appears prudent.

#### **Price Control Adjustments – Western HVDC**

**Do you agree with our proposed approach to delay allowances due to the delivery of the Western HVDC? If not, please explain why and provide evidence.**

**Do you have any views on how we should delay allowances? Please explain why and provide evidence.**

**Do you have any views on how we should treat payments and in-kind benefits from suppliers paid to compensate for the delay? Please explain and provide evidence.**

As a Gas Distribution Network we would not wish to comment upon electricity transmission-related matters, and therefore decline to respond on the above three questions.

#### **Price Control Adjustments – London Medium Pressure**

**Do you agree that we should accept National Grid Gas Distribution’s (NNGD) proposal to return £53.9million? If not, please explain why and provide evidence.**

We agree that Ofgem should accept NNGD’s proposal. Recent innovation in this area presents the potential for enhanced customer benefit following the re-phasing of this work to a later time in GD2.

### **Price Control Adjustments – Connections Volume Driver**

**Do you agree with our proposed approach not to amend SPT’s connections volume driver? If not, please explain why and provide evidence.**

As a Gas Distribution Network we would not wish to comment upon electricity transmission-related matters.

### **Price Control Adjustments – NTS Exit Capacity Incentive**

**Do you agree that we should not make changes to the NTS Exit Capacity Incentive? If not, please explain why and provide evidence.**

We agree that changes should not be made to the incentive at this point.

### **Price Control Adjustments – Gas Distribution Outputs**

**Do you agree with our proposed approach to continue to monitor this output for the remainder of RIIO-GD1 and require companies to justify where they fail to meet this output? If not, please explain why and provide evidence.**

We agree with the proposal and consider that continuing to monitor this output in a consistent manner with that already employed to date during GD1 is the correct approach. SGN is committed to achieving the output by engaging with our customers and ensuring their safety.

**Do you agree that we should change the targets for the loss of supply output for the remainder of RIIO-GD1, continue to monitor performance and require companies to justify where they fail to meet this output? If not, please explain why and provide evidence.**

We support Ofgem’s proposal that the targets for the Loss of Supply output should be amended for the remainder of GD1. As stated in the consultation (3.119, p32), the current targets are not accurate as they do not take into account all activities and uncertainties. Revising the targets and continuing to monitor this over the remainder of GD1 would be the preferred approach.

**Do you agree with our proposed approach to make no changes to this output for the remainder of RIIO-D1, to continue monitoring this output and to require companies to justify where they fail to meet this output? If not, please explain why and provide evidence.**

We agree with the proposed approach.

### **Price Control Adjustments – SPT’s Trigger Mechanism**

**Do you agree with our proposed approach to this trigger mechanism? If not, please explain why and provide evidence.**

As a Gas Distribution Network we would not wish to comment upon electricity transmission-related matters.

### **Price Control Adjustments - Electricity Transmission Other Outputs**

**Do you agree with our approach to these outputs?**

As a Gas Distribution Network we would not wish to comment upon electricity transmission-related matters. However, we would make the observation that if the outputs in question are either delivered or on course for delivery (3.151, p36) within the remaining price control period, then it does not appear that any action is required.

Should you require any further information with regards to our response then please do not hesitate to contact me at [David.Handley@SGN.co.uk](mailto:David.Handley@SGN.co.uk)

Yours sincerely,

David Handley  
**Head of Regulation**